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Improving the financial situation of the United Nations

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Report of the Secretary-General

Addendum

Summary

The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/60/427). It provides a review of the Organization's financial situation as at 31 December 2005 and 30 April 2006 and some projections to 31 December 2006.

The report considers four financial indicators: assessments issued, unpaid assessed contributions, available cash and amounts owed to Member States for the major categories of activity: the regular budget, peacekeeping, the international tribunals and the capital master plan. The picture at the end of 2005 was reasonably good.

More Member States had paid their assessed contributions to the regular budget in full than in any year since 2000, and the amount outstanding on 31 December 2005 was down. Outstanding assessments for the international tribunals were also lower than at the end of 2004 and more Member States had fully paid their assessments for both tribunals. While outstanding assessments for peacekeeping were up by almost $350 million, assessments issued within 30 days of 31 December 2005 were over $800 million higher than a year before.

In 2006, trends for peacekeeping and the international tribunals at 30 April appeared encouraging. For the regular budget, however, while more Member States had paid their assessments in full than by 30 April 2005, assessments actually received during the first four months of 2006 were down by over $100 million and unpaid assessments were more than $200 million higher. If payments during the rest of 2006 follow past patterns, this shortfall could be made up. The amounts outstanding are highly concentrated among a very few Member States, however, and the actual outcome will in large measure depend on them.

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The debt to Member States providing troops and equipment for peacekeeping missions at the end of 2005 turned out to be lower than anticipated in the previous report of the Secretary-General. Given current trends, it is expected to fall further in 2006. The actual outcome will depend on a number of factors, including the rate of deployment in some missions, timely agreement on memorandums of understanding with troop and equipment providers and timely payment of assessed contributions for peacekeeping.

As always, the key to the financial health of the United Nations depends on Member States meeting their financial obligations to the Organization in a full and timely fashion.

I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the previous report of the Secretary-General (A/60/427). It also provides information on the financial situation of the United Nations at 31 December 2005 and 30 April 2006, as well as some projections to 31 December 2006.

II. Financial situation of the United Nations

2. In looking at the financial situation of the Organization, the present report focuses on assessments issued; unpaid assessments; cash available; and debt to Member States. While general trends were fairly positive, there were some variations in 2005 and, especially, in 2006. In that light, and in view of the restrictions that the General Assembly has placed on cross-borrowing between some accounts, the major categories of activity are considered separately below. Those categories comprise the regular budget, peacekeeping operations, the international tribunals for Rwanda and the former Yugoslavia and the capital master plan.

Regular budget

3. Results for the regular budget for 2005 showed some progress. The number of Member States that had paid their assessments in full by the end of 2005 had risen to 140, from the 124 that had done so by the end of 2004. In addition, the amount unpaid for the regular budget at the end of 2005 fell from $357 million to $333 million.

4. By 30 April 2006, 85 Member States had paid their assessed contributions in full, as compared with 72 by 30 April 2005.

5. On a less positive note, however, the financial position of the regular budget at 30 April 2006 was weaker than at the same date in 2005. Payments received were over $300 million lower, and outstanding assessments $200 million higher, than at 30 April 2005. Furthermore, the $1.2 billion outstanding for the regular budget on 30 April 2006 was highly concentrated, with three Member States accounting for 85 per cent of the total and four others accounting for another 9 per cent.

6. Regular budget cash resources stood at $380 million at 30 April 2006, down by almost $100 million compared with 30 April 2005. In addition, there are reserves of a total of $317 million in the Working Capital Fund and the Special Account. Whether there will be sufficient cash available to fund regular budget activities for the rest of 2006 depends on the amount and timing of payments by the 106 Member States that still had outstanding assessed contributions for the regular budget and, in particular, the seven Member States mentioned above. In addition, as indicated below, cash resources in closed peacekeeping missions available for cross-borrowing are likely to be quite limited.

Peacekeeping

7. The unpredictable nature of the demand for peacekeeping activities makes it hard to predict financial outcomes with any confidence. In addition, peacekeeping has a different financial period, running from 1 July to 30 June rather than from 1 January to 31 December; assessments are issued separately for each operation; and, since assessments can currently be only issued through the mandate period approved by the Security Council for each mission, they are issued for different periods throughout the year. All of these factors complicate a comparison between the financial situation of peacekeeping operations and that of the regular budget and the tribunals.

8. Although the level of assessments issued for peacekeeping operations in 2005 was somewhat lower than in 2004, it still stood at over $4.7 billion. Financial requirements for the peacekeeping financial period from 1 July 2006 to 30 June 2007 are currently being considered by the General Assembly, but they are likely to remain substantial.

9. Unpaid peacekeeping assessments at the end of 2005, which totalled over $2.9 billion, were almost $350 million higher than at the end of 2004. At the same time, however, the portion of that amount that was then within the 30-day due period was almost $1.2 billion, compared to $360 million at the end of 2004.

10. Unlike assessments for the regular budget and the tribunals, assessments for peacekeeping are issued throughout the year as relevant decisions are taken by the General Assembly and the Security Council. Nevertheless, at the end of 2005 22 Member States had paid in full all their assessed contributions for peacekeeping operations that were then due and payable. The Secretary-General would like to express his appreciation to those Member States, namely, Armenia, Australia, Azerbaijan, Brazil, Canada, Croatia, the Czech Republic, Finland, Germany, Ireland, Kazakhstan, Mozambique, the Netherlands, New Zealand, Norway, Poland, the Russian Federation, Singapore, Slovakia, Sweden, Switzerland and Thailand.

11. New assessments of over $1 billion were issued during the first four months of 2006, including assessments totalling $488 million issued on 13 April 2006. Payments for peacekeeping accounts during the same period totalled over $2.3 billion, leaving outstanding assessed contributions of over $1.6 billion at 30 April 2006. Among those making payments by 30 April 2006, 22 Member States had paid all peacekeeping assessments that were then due and payable. These were Australia, Azerbaijan, Canada, Croatia, the Czech Republic, Denmark, Finland, Germany, Italy, Kuwait, Monaco, Mozambique, New Zealand, Norway, Poland, the Russian Federation, Singapore, Slovakia, South Africa, Sweden, Switzerland and Tunisia. In addition, full payment was made subsequently by Liechtenstein.

12. At the end of 2005, total cash resources for peacekeeping activities, including the Peacekeeping Reserve Fund, amounted to over $1.6 billion. Since the General Assembly has ruled out cross-borrowing for active peacekeeping missions from other active peacekeeping missions and restricted the use of the Peacekeeping Reserve Fund, however, not all of those resources could be used for temporary cross-borrowing. Of the more than $1.6 billion in peacekeeping accounts, only the $327 million in the accounts of closed peacekeeping missions was potentially available for cross-borrowing for the regular budget, the tribunals, the capital master plan and the active peacekeeping operations, and a significant part of that had to be

held to cover corresponding liabilities. In addition, $140 million was available in the Peacekeeping Reserve Fund for new and expanded operations.

13. Cash available for peacekeeping is currently expected to total over $1.3 billion at the end of 2006. Of that amount, $143 million is expected to be available in the Peacekeeping Reserve Fund and $306 million in the accounts of closed peacekeeping missions.

14. Of the $306 million expected to be available in the accounts of closed peacekeeping operations, $233 million must be held to cover corresponding liabilities, leaving only $73 million for possible cross-borrowing. In addition to requirements for new and expanded missions, cross-borrowing in 2005/06 from the closed operations has occasionally been necessary for a number of other active operations, including the United Nations Observer Mission in Georgia, the United Nations Mission for the Referendum in Western Sahara (MINURSO) and the United Nations Interim Administration Mission in Kosovo (UNMIK), as well as for the International Criminal Tribunal for Rwanda. Depending on cash flow during the rest of 2006, it may also be needed for other accounts. The actual outcome in 2006 will obviously depend on Member States meeting their financial obligations for peacekeeping activities.

International tribunals

15. On the positive side, the financial position of the international tribunals has continued to improve. From a peak of $88 million outstanding at the end of 2003, which had necessitated a recruitment freeze, amounts outstanding for the tribunals fell to $30 million at the end of 2004 and to $25 million at the end of 2005.

16. The number of Member States paying their assessments to both tribunals in full also rose, from 88 in 2004 to 93 in 2005. The Secretary-General would like to express his appreciation to those Member States and urge others to follow their example. While the trend continues to improve, it should be noted that a majority of Member States had still failed to meet their financial obligations for the tribunals in full.

17. Trends in 2006 so far are still positive but mixed. At 30 April 2006, 49 Member States had paid their assessments to both tribunals in full, as compared with 43 Member States at 30 April 2005, and the total amount outstanding was down from $150 million at 30 April 2005 to $142 million on the same date in 2006. On the other hand, the total amount received by 30 April 2006 was also down, from $175 million received by 30 April 2005 to $152 million by 30 April 2006. While the positive developments are welcome, more remains to be done to ensure the financial stability of the tribunals since, of the 191 Member States, no fewer than 142 still had amounts outstanding for one or both tribunals at the end of April 2006.

18. Cash flow trends are also better. It was necessary to cross-borrow from the accounts of closed peacekeeping operations for the International Criminal Tribunal for Rwanda for two months in 2005, but no cross-borrowing has been required so far in 2006 and, if current trends continue, it should be possible to avoid recourse to cross-borrowing altogether this year.

19. This is fortunate since, as emphasized in previous reports, the possibilities for cross-borrowing are becoming ever more limited. It is therefore essential that Member States continue to make every effort to meet their financial obligations to the tribunals in a full and timely manner. Failure to do so will certainly undermine the progress achieved in promoting the tribunals' financial stability and endanger the successful completion of their important work.

Debt to Member States

20. The previous report of the Secretary-General, dated 13 October 2005, forecast an increase in the amounts owed to troop and equipment contributors from $549 million at the beginning of 2005 to $779 million at 31 December 2005. In the end, the result was better, with the actual figure at $695 million.

21. The slightly better outcome in 2005 was the result of new obligations for contingent-owned equipment being somewhat lower than expected owing to slower than anticipated deployments in some missions and payments to Member States being slightly higher. At the end of 2005 payments for most missions, except UNMIK and MINURSO, were generally running two months behind for troop costs and three to six months for contingent-owned equipment. The latter payments could be faster if memorandums of understanding were signed in a more timely manner. Naturally, prompt payment of troop and contingent-owned equipment reimbursements also depends on the timely payment of assessed contributions by Member States.

22. The current projection for 2006 is that debt to Member States will be $80 million lower than at the end of 2005. New obligations are expected to grow, with the deployment of additional troops in the United Nations Organization Mission in the Democratic Republic of the Congo and full deployment in the United Nations Operation in Côte d'Ivoire and the United Nations Mission in the Sudan. Payments to Member States are also expected to grow. This projection is based on the assumption that more memorandums of understanding with troop and equipment providers will be signed. Of course, it also depends crucially on payments of assessed contributions being received. If more payments are received, the level of debt to Member States could be cut further, but if fewer are received, then debt to Member States might be higher.

Capital master plan

23. By 30 April 2006, the General Assembly had authorized assessments for 2003-2004, 2005 and 2006 for preparatory activities for the capital master plan totalling $51.5 million. By 30 April 2006, a total of $41.8 million had been received. In addition, the Assembly in May authorized an additional assessment of $23.5 million and a further commitment authority of $77 million.

Conclusions

24. As peacekeeping assessments are issued throughout the year, on any given date there tend to be fewer Member States that have paid their assessments for

peacekeeping operations in full. Nonetheless, on 30 April 2006, the following Member States had paid in full all their due and payable assessments for the regular budget, the tribunals, the capital master plan and peacekeeping operations, not counting the assessments issued on 13 April, which were still within the 30-day due period: Australia, Azerbaijan, Canada, Croatia, Finland, Italy, Kuwait, Monaco, Mozambique, New Zealand, Norway, Poland, Russian Federation, Singapore, Slovakia, South Africa, Sweden and Switzerland. Liechtenstein subsequently joined the list in May. The Secretary-General would like to offer special thanks to those Member States.

25. As indicated above, there were some encouraging signs of progress in the financial position of the Organization in 2005. Particularly heartening was the increasing number of Member States that are meeting their financial obligations to the regular budget of the Organization in full. So far in 2006, trends for peacekeeping accounts and the international tribunals are also somewhat encouraging.

26. On the other hand, the level of payments received for the regular budget by 30 April 2006 was significantly lower than in the same period of 2005, and unpaid assessed contributions were more than $200 million higher. Of the total amount outstanding, 85 per cent is accounted for by only three Member States, and clearly they will have a major role in determining the financial outcome for the regular budget.

27. In short, there have been some improvements, especially for the international tribunals and peacekeeping, but the situation remains fragile, especially for the regular budget, and it is essential that Member States make further efforts to meet their financial obligations to the United Nations in a full and timely manner.